



Date: June 30, 2006
To: Mayor and City Council
From: Gerald R. Miller, City Manager *GRM*
Subject: **Information Technology Optimization Study**

Attached is the final report on the Information Technology (IT) Optimization Study. As part of our financial strategic plan approach, the City has conducted systematic reviews of many major functions over the past three years including workers' compensation, code enforcement, fire services and fleet services. In the FY 05 budget process, the City Manager recommended, and the City Council approved, additional optimization studies including a review of the City's information technology services.

Background

In March 2005, City staff initiated a Request for Proposals process to retain a consultant to conduct an information technology optimization study. In August 2005, the City Council authorized the City Manager to execute an agreement with Bartig, Basler & Ray, Inc. (BB&R) to conduct the study. The overall purpose was to identify possible ways to reduce costs and improve service levels. The comprehensive study looked at the City's current organization and management of IT resources to determine if it is efficient and cost effective when compared to other public and private sector organizations.

In October 2005, BB&R kicked off the study. At that time, staff notified the City Council of the study initiation and provided an invitation to meet with BB&R. By the conclusion of the study, there was significant employee involvement including 45 individual interviews, 100 focus group participants, and 1,700 electronic survey respondents. BB&R also reviewed key technology planning documents as well as financial, operational and personnel data from City departments related to technology.

Report Summary

BB&R's final report contains findings and recommendations in three areas:

- Governance – Information technology strategy development, decision-making, and standardization.
- Service Delivery – Information technology resource deployment, roles, and responsibilities.
- Management Practices – The practices and processes used to manage information technology assets.

The following lists the major recommendations by area.

Governance

- **Adopt a new governance structure and process to improve accountability of information technology projects from inception to maintenance.** The recommended governance structure includes a committee of department directors to advise the City Manager on technology initiatives to ensure they are strategically focused and aligned with City priorities. In addition, the structure includes a committee of technical staff from Technology Services and other departments to review initiatives from a technical perspective to ensure feasibility and adherence to standards. Further, the current Citizens Technology Advisory Committee would provide input from the external stakeholders perspective.
- **Create a new Chief Information Officer (CIO) position.** Reporting to the City Manager, the CIO would establish the information technology vision, implement and oversee the governance structure, set and review technology standards, and guide decision-making related to technology. The CIO would be accountable for all information technology operations.

Service Delivery

- **Restructure the Technology Services Department to better serve its internal and external customers.** BB&R recommends the department be organized into two bureaus. One bureau would address technology infrastructure needs and the other would focus on supporting technology users.
- **Create business analysts positions to support technology service delivery.** The analysts could be Technology Services or other department employees with a dotted line reporting relationship to Technology Services. These individuals would serve as customer advocates and ensure the business units they represent benefit from the use of technology.
- **Consider only limited outsourcing at this time.** The City is neither prepared for, nor should outsource, its entire information technology function. However, the City should consider limited outsourcing in areas such as initial personal computer (PC) software setup, PC installations, printer support services, and training.

Management Practices

- **Update and adopt the Information Systems Master Plan.** In 2003, the City completed a master plan to guide the replacement of major information systems. The plan should be updated and formally adopted based on the current situation.
- **Develop a comprehensive communications plan for technology-related items.** BB&R recommends a comprehensive communications plan be developed focusing on three items: (1) What should be communicated?; (2) Who is the audience that should receive this information?; and (3) How should the information be conveyed?
- **View technology decisions on a long-term basis, considering the life cycle of costs and benefits.** BB&R recommends the CIO develop a roadmap to the future, using the ISMP as a starting point, which includes realistic investments in technology and staff. Realistic cost/benefit analyses should be undertaken when viewing technology decisions and should include hard and "soft" costs of both new systems versus doing nothing, or maintaining the status quo.
- **Conduct a detailed skills inventory of all information technology staff.** The inventory of skills should be compared to the skill sets projected for the future. This would be the basis for a staffing and hiring plan, as well as provide input for position classification and compensation review.
- **Move from a departmental charge back system to a cost allocation system for central technology cost distribution.** A chargeback system, such as used in Long Beach, results in a significant amount of non-productive City staff time to develop the charges and monthly invoices, create journal entries, and resolve any disputed charges. A more efficient system would allocate fixed costs as part of an indirect cost allocation system. The variable costs would also be calculated at the time of budget development and would include the current number of personal computers, cell phones, etc., based on the upcoming year's rates. During the budget process, departments could request additional variable cost items. The approved fixed and variable costs would be included within departmental budgets as an allocation. Financial Management should journal entry the charges to the departments, once or twice a year.

Next Steps

The report contains several recommendations that the City can and should implement immediately, and the Technology Services Department is moving forward on these items. Examples include retaining vendor assistance to install personal computers and to provide desktop software training. Additionally,

Technology Services is proceeding with updating the information technology master plan that would serve as a blueprint for major technology initiatives for the next five years.

Other recommendations, however, will require additional deliberation and planning to implement successfully. We will address these recommendations through a cross-departmental implementation committee, chaired by a representative of the City Manager's Office.

Moreover, the recommended restructuring of the Technology Services Department will need further study and, if implemented, would be phased in over time. Lastly, we intend to use a different approach to implementing the recommendation to create a new CIO position. While we agree the role is needed, our intent is to charge the current Director of Technology Services with the CIO responsibilities identified in the study.

Please let me know if you have any questions.

CFS:lr

Attachment

cc: Suzanne Mason, Deputy City Manager
Curtis Tani, Director of Technology Services